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7 November 1952

MEMORANDUM FOR THE RECORD

SUBJECT: State Dispatch from Vienna #489 dated 15 September, 1952
re Austrian-Bulgarian Trade and Payments Agreement dated
June 7, 1952.

1. In subject dispatch the following two paragraphs occur:

"While a tobacco quota of \$750,000 was also included in the previous trade agreement, Bulgaria made no deliveries. Under the new agreement, Bulgaria agreed to furnish 50% of the quota immediately. Of interest in this respect is the fact that one of the Bulgarians informed a member of the Austrian delegation that ""this was the first time that Moscow had permitted Bulgarian tobacco to be delivered under such a trade agreement.""

"This incident served to confirm the general impression of the Austrian delegation that the fine treatment received and the conciliatory attitude of the Bulgarians in the establishment of the goods quotas was all a result of Moscow's East-West trade offensive following the Moscow Economic Conference."

2. The information contained in the foregoing paragraphs represents one of the most significant items of economic intelligence to come out of the Orbit. It shows that over-all direction of Satellite economies by the USSR is clearly indicated (on the basis of a Master Plan) for using the resources of the Satellites to the sole advantage of the USSR. What is required for the Bulgarian economy is not so important as which exports will not be prejudicial to Orbit needs, and what imports will strengthen Orbit planning. Because the USSR wanted tobacco, this product (a standard export item in the past) was not exported last year to Austria. It must be presumed that various food items which for the last two years have not been exported by Hungary, Romania and Bulgaria to the West does not indicate any shortage on the

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part of these countries, but because such exports have not fitted in with the over-all plan of the USSR.

3. It is indicated that the policy of the USSR is tantamount to an Economic Warfare Plan to restrict foodstuff exports to the West so as to create a pinch in Western markets and to withhold foodstuffs against delivery of strategic items from the West. In the case of tobacco, it may well be that tobacco was withheld from the Austrian Government tobacco monopoly because the USSR wanted to sell Bulgarian tobacco cigarettes exclusively in the USIA retail stores in Austria.

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